April 13, 2021

The Honorable Rick Billinger, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas  66612

Dear Senator Billinger:

SUBJECT: Fiscal Note for SB 289 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 289 is respectfully submitted to your committee.

SB 289 would enact the Frontline Service Pay Act. The bill would establish the COVID-19 Frontline Service Fund within the Department of Commerce. The bill specifies that during FY 2021 and FY 2022, the Director of the Budget would determine the amount of monies received by the state from the Federal Consolidated Appropriations Act, 2021, public law 116-260, and any other federal law that appropriates funding to Kansas for coronavirus relief aid that are identified as funds that may be expended at the discretion of the state. The Director of the Budget would certify the amount to the Director of Accounts and Reports. If the amount certified is greater than $50.0 million, the Director of Accounts and Reports would transfer $50.0 million of that amount from the identified federal funds to the COVID-19 Frontline Service Fund. The transferred funds would be distributed to eligible employers as determined by the Department of Commerce.

Upon receipt of the certification, the Governor may determine an additional amount of monies greater than $50.0 million received by the state from the Federal Consolidated Appropriations Act, 2021, public law 116-260, and any other federal law that appropriates funding to Kansas for coronavirus relief aid that are identified as funds that may be expended at the discretion of the state to be transferred to the COVID-19 Frontline Service Fund. The determination would consider whether additional funds would improve the duration of or expand eligibility for the distribution of funds to eligible employers.

The Secretary of Commerce would administer the provisions of the Act and would be responsible for the allocation and distribution of grants from the COVID-19 Frontline Service Fund to eligible employers. The amount of a grant by the Secretary to an eligible employer would be limited to $1,200 per eligible employee and would be distributed by the employer to the employee during a period of ten weeks by providing an additional $3 per hour during the period above the employee’s ordinary wages, or for salaried employees, by providing the amount of
$1,200 divided by the number of salary payments during that period in addition to ordinary salary payments. The sole purpose of the grants would be to provide additional hazard pay to eligible employees as specified in the Act. Employers would apply for the grants from the Secretary and would pass all funding obtained to their employees as additional pay. The bill outlines the powers, duties, and functions of the Secretary. Also, the bill specifies that the Secretary could adopt rules and regulations necessary to implement and administer the Act.

The bill outlines the application process for private eligible employers and for consideration by the Secretary. The bill specifies that all state agencies, boards, commissions, institutions, political subdivisions of the state, and local governments would be considered for distribution of grant funds by the Secretary. Within 14 days of the effective date of the Act, a public employer would be required to provide a list of eligible employees to the Secretary and any information requested by the Secretary to determine grant eligibility. The Secretary could require a public employer to enter into an agreement specifying the use of grant funds and manner of payment of the grant funds to employees prior to extending grant funding. The Secretary would be required to determine the eligibility of any employee and execute any agreements by June 30, 2021.

A violation of the bill’s provisions would be a class C nonperson misdemeanor. Payment to eligible employees would not be included in the Kansas adjusted gross income and would not be taxable for purposes of the Kansas Income Tax Act. To the extent permitted by federal law, payments would not be considered as income for the purposes of eligibility for any income-based programs administered by the State of Kansas, including, but not limited to, Medicaid. The bill would specify that for taxable years beginning after December 31, 2020, amounts received by employees in additional compensation as a separate line item on an employee’s pay stub or notification and labeled “Frontline Service Pay” pursuant to the provisions of the Act. Calculations for Kansas income taxes are based on the Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the federal adjusted gross income. The bill would allow the amount of frontline service pay that appears as a separate line item on employee’s pay stub to be subtracted from income for Kansas income tax purposes beginning in tax year 2021. The bill would take effect upon its publication in the Kansas Register.

The Department of Commerce indicates enactment of the bill would require additional State General Fund expenditures of $38,113 in FY 2021 and $128,450 in FY 2022, along with 1.50 FTE positions in both fiscal years. Of the FY 2021 amount, $27,844 would be for salaries and wages and $10,269 would be for other operating expenditures. For the FY 2022 amount, $111,375 would be for salaries and wages and $17,075 would be for other operating expenditures. The additional positions would help administer the program and the other operating expenditures include funding for marketing the Act and establishing an online application platform.

The Department of Revenue indicates that it would require a total of $156,006 from the State General Fund in FY 2022 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department’s programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department’s current budget may be required.
The Department of Administration indicates enactment of the bill would have the agency assisting the Department of Commerce and other state agencies with the identification of employees who would be eligible for payments under the Act. This would require the generation of reports from the SHARP system as well as the review and analysis of the duties of job classifications, job titles, and position descriptions throughout the state workforce. The Department indicates if there is adequate time prior to June 30, 2021, the work could be accomplished within existing resources. The Department further indicates in addition to the transfer of funds following certification from the Director of the Budget, implementation of the enhanced hazard pay specified in the bill could be met through the addition of a new earnings code setup in SHARP using existing resources.

The Office of Judicial Administration states that enactment of SB 289 could increase the number of cases filed in district court because the bill would establish a class C nonperson misdemeanor for a violation of the bill’s provisions, which could result in more time spent by court employees and judges processing and hearing cases. The Office states if the Judicial Branch determines that some employees might be eligible for the extra pay specified in the bill, the Office could submit an application, which would create additional work for the Office and other district court level administrative personnel for various duties, including applying for the grant, accounting for the use of the funds, and providing reports or information required. According to the Office, a fiscal effect cannot be estimated until the Judicial Branch has had an opportunity to operate under the bill’s provisions. The Office states enactment of the bill could result in the collection of additional docket fees, supervision fees, and fines in those cases filed under the bill’s provisions. Any fiscal effect associated with SB 289 is not reflected in The FY 2022 Governor’s Budget Report.

Sincerely,

Adam Proffitt
Director of the Budget

cc:  Sherry Rentfro, Department of Commerce  
     Lynn Robinson, Department of Revenue  
     Jeff Scannell, Department of Administration  
     Debbie Thomas, Judiciary  
     Dawn Palmberg, Department of Labor  
     Wendi Stark, League of Municipalities  
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     Randy Bowman, Corrections  
     Scott Schultz, Sentencing Commission